

## Low-budget rail travel to expand in Germany

**Deutsche Bahn's near-monopoly over long-distance passenger rail traffic is under threat from new competitors. They hope to start service next year, but the Bahn is trying to put the brakes on its rivals.**

The latest entrant to the German rail market is the Berlin-based Locomore, which will start scheduled service between Cologne and Hamburg next August using rolling stock that it is set to purchase from Austria's national railway.

The company, founded in 2007 by Derek Ladewig, has the backing of an American investment firm, the **Railroad Development Corporation (RDC)**, reports *Wirtschaftswoche* in its latest issue. RDC chairman **Henry Posner III** told the magazine that his company expects the Locomore venture to take time before becoming profitable.

"We're impatient managers, but patient investors," Posner told *Wirtschaftswoche*.

The magazine reports Ladewig plans to start a new firm that would run new rail routes between Berlin and Frankfurt and Stuttgart and Hamburg and has already applied for permits to operate the new routes starting 2011.

Unlike the Cologne-Hamburg route, which will feature different levels of service, Ladewig said he hoped to apply budget airline Ryanair's one-class, no-frills business model to the new routes.

### Not the first competitor, and probably not the last

Locomore is one of several firms eager to chip away at Deutsche Bahn's dominance. At the end of October, the French national railway SNCF applied to enter the German market and plans to start running two rail lines from the westernmost French city of Strasbourg to Hamburg in 2011 under its Keolis subsidiary.

One line will travel via Cologne and Hanover and the other will journey via Leipzig and Berlin instead.

SNCF and Deutsche Bahn have been cooperating since 2007 on a series of high-speed routes between Frankfurt, Munich and Stuttgart and Paris.

The growing number of firms looking to challenge Deutsche Bahn's long-time dominance comes as Europe's passenger railway markets are set to become deregulated in 2010 due to new European Union rules.

Some competition in regional markets already exists, with firms such as the French Veolia Transport providing short-run rail service across Germany, as well as a longer route between Rostock and Leipzig.

### Access a struggle

The challenge for all new entrants on the German market is how to work with Deutsche Bahn, which will continue to own and operate the infrastructure that Locomore and SNCF's trains will run on through its DB Netz subsidiary.

Deutsche Bahn is supposed to allow competitors access to its track network but has denied Locomore's request - against the wishes of German regulators. The case is now in court, slowing Locomore's plans, which include purchasing an estimated 100 million euros worth of trains.

Similar resistance has hit SNCF's rollout of train service in Germany, prompting complaints to the European Commission in Brussels. Ironically, Deutsche Bahn



Deutsche Bahn trains may soon have to make way for competitor Locomore



DB and France's SNCF currently cooperate but SNCF now wants to move into Germany.



SNCF plans to offer regular train service within Germany by 2011

hopes to expand its train service in France and has encountered similar setbacks in its efforts to gain access to the French market.

Peter Ramsauer, Germany's new Transport Minister, said in an interview November 2 that the French moves "could not go on."

Deutsche Bahn employees say the entry of new companies into the rail market will hurt service and make train service "dangerous."

Alexander Kirchner, who heads the rail workers union Transnet said in an interview with the *Tagesspiegel* newspaper that a price war is "unavoidable."

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Source: <http://www.dw-world.de/dw/article/0,4881389,00.html>